Parental Socialisation and Student Financial Capability: A UK and Irish Perspective

Dr Deirdre O’Loughlin,
University of Limerick, Ireland

Prof Isabelle Szmigin,
University of Birmingham, UK

Ms Tara Frawley
Limerick Institute of Technology, Ireland
Social Marketing and Student Finance: The Issues

- From literacy to capability
- Upstream and downstream
- Novice consumers in new environment
Financial Capability

- Requires knowledge and skills...making ends meet, keeping track, planning ahead and choosing products

- Capability theory (Sen, 1993) linked to internal and external conditions (Nussbaum, 2000)

- Environmental, social and commercial factors must be in place to practice good financial capability.

- Students particularly vulnerable in terms of financial literacy and capability
Consumer & Parental Socialisation

- “process by which young people acquire skills, knowledge and attitudes relevant to their functioning in the market place” (Ward, 1980)

- Links between parental style and consumer socialisation at different ages

- Children model parental consumer behaviour and values
Student Finances & Role of Parents

- Parents key socialisation agents (Hayhoe et al., 2005) in terms of student finances

- Importance of “financial parenting” (Gallo, 2003)

- Parental involvement and student-parent communication directly affect financial capability and debt attitude and behaviour

- Emergence of “new parent trap” (Kimberley, 2007) of student graduates unable to pay off debts and dependent on parents beyond college
Student Credit & Debt

- Students more accepting/tolerant of debt as part of normal life

- Debt may increase through student career - Debt blind by final year

- University fees in UK rising to £6,000-£9,000 and to €2,000 in Ireland from September 2011

- Students compelled to work while studying or choose not to attend university
Student Financial Capability Programmes

- Wide range of FC Programmes aimed primarily at primary/secondary school students with mixed outcomes and success (Mandell and Klein, 2009)
  - US: Jump$tart programme
  - UK: Money Doctors
  - Ireland: Money Tips for Students
  - Australia: EvenStart - “whole family approach”

- Students were believed themselves to be more capable than they actually were (OECD, 2005)
The Study

- Research Objectives:
  - Explore role and influence of parents on student attitudes and behaviours regarding their finances
  - Examine parent-student socialisation towards financial capability

- Quantitative and Qualitative Research
  - Survey of 600 Students (565 usable responses)
  - In-depth interviews with purposive sample of 20 Students
    - University of Limerick & University of Bath and Birmingham
    - Mix of degree course, level, discipline
    - Data on expenditure, work, type of credit, debt levels etc.
# Level of Parental Financial Support

<table>
<thead>
<tr>
<th>Level of Parental Financial Support</th>
<th>Irish % N=305</th>
<th>UK % N=245</th>
<th>Total % N=550</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>15.4</td>
<td>9.0</td>
<td>12.5</td>
</tr>
<tr>
<td>A Little</td>
<td>15.1</td>
<td>12.2</td>
<td>13.8</td>
</tr>
<tr>
<td>Some</td>
<td>24.9</td>
<td>19.2</td>
<td>22.4</td>
</tr>
<tr>
<td>A lot</td>
<td>33.1</td>
<td>31.0</td>
<td>32.2</td>
</tr>
<tr>
<td>Total</td>
<td>11.5</td>
<td>28.6</td>
<td>19.1</td>
</tr>
</tbody>
</table>
# Ranking of Most Important Influence on Finances

<table>
<thead>
<tr>
<th>Influences in Relation to Finances</th>
<th>Irish %</th>
<th>UK %</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Parents</td>
<td>78.7</td>
<td>88.9</td>
<td>83.3</td>
</tr>
<tr>
<td>2. Other Family Members</td>
<td>38.9</td>
<td>39.5</td>
<td>39.2</td>
</tr>
<tr>
<td>3. Friends</td>
<td>39.8</td>
<td>36.7</td>
<td>38.4</td>
</tr>
<tr>
<td>4. Media</td>
<td>33.5</td>
<td>42.5</td>
<td>37.5</td>
</tr>
<tr>
<td>5. Peers</td>
<td>31.7</td>
<td>26.7</td>
<td>29.6</td>
</tr>
<tr>
<td>6. Bank</td>
<td>32.6</td>
<td>28.9</td>
<td>28.5</td>
</tr>
</tbody>
</table>
Parental Dependence

- **Varying Levels of Dependence**
  - “I make my own money and I pay my own money... I wouldn’t be living off my parents because since the age of 12... we all had our own jobs... we never got money off our parents” (Male 2, Ireland)
  - “indebted to my parents... I’m totally dependent on them this year... I’m off the payroll’ (Female 3, Ireland)

- **“Mothered Generation”**
  Well-meaning parents facilitating irresponsible financial behaviour:
  - “...Spoilt.. I don’t know how normal people cope (Female 2, UK)
  - *I don’t think money is something worth worrying about as long as you’ve got nice parents! ... I also get a ridiculous amount of money off my parents... debt is risky if you haven’t got backup. Like we’re students and we’ve got parents... it’s not risky for us* (Male 5, UK).
Financial Parenting

Parents as Financial Role Model
- Parent’s influence “kind of rubbed off” (Female 2, UK)
- “careful with money...family trait” (Male 1, UK)
- “My Mum holds the purse-strings. My Dad has a fancy car, fancy computer and if he had his way lots of holidays but Mum’s a bit different... I’ll probably end up being just like her, just my role model... because my Mum to the penny knows everything” (Female 5, UK)

Different Parenting Styles
- “they encouraged me to get the loan, they encouraged me to get a credit card” (Female 2, Ireland)
- “it freaks him out so much that I am .. very aware of not getting into too much debt” (Female 4, Ireland)
Conclusions & Policy Implications

- Parents determine financial context and orientation of students which affect their financial capability.
- Parental financial assistance needs to be supported by mentoring and role modelling to socialise students towards financial capability.
- Many 3rd level financial capability programmes take a *parentis in absentia* approach and do not acknowledge their key role & influence.
- Need for joint parent-student programmes & policies which leverage this key financial relationship.
- Responsibility for financial providers?